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REPORT BY THE

# Comptroller General

OF THE UNITED STATES

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## Audit Of The House Of Representatives Beauty Shop Calendar Year 1978

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GGD-79-46  
MAY 4, 1979



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-162878

The Honorable Frank Thompson, Jr.  
Chairman, Committee on House  
Administration  
House of Representatives

Dear Mr. Chairman:

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with the December 8, 1978, request from the Honorable Ed Jones, Chairman, Subcommittee on Services, we audited the financial transactions of the House Beauty Shop for the calendar year 1978.

GENERAL COMMENTS

The House Beauty Shop provides a convenient beauty facility for congresswomen, wives of congressmen, congressional employees, and the general public. During calendar year 1978, approximately 29,250 hairdressing and manicuring services were performed at the shop.

Effective January 3, 1978, the staff of the House Beauty Shop was transferred to the House payroll, and the shop was placed under the jurisdiction of the Committee on House Administration, with direct oversight to be exercised by the Subcommittee on Services (H. Res. 315, 95th Cong.). During calendar year 1978, 26 employees were on the House payroll. At December 31, 1978, eight beauticians, two manicurists, one receptionist, the assistant manager, and the manager were employed full-time; five beauticians and two maids were employed part-time. One beautician, one manicurist, one electrolysis, and one maid were employed on a contract basis.

RESULTS OF OPERATIONS

The House Beauty Shop realized net income of \$8,404 for 1978 compared with net income of \$10,027 for 1977. The Legislative Branch Appropriation Act, 1970, requires that

income, as established by our annual audit, after restoring any impairment of capital and providing for replacement of equipment, be transferred to the general fund of the U.S. Treasury. We computed the net income to be transferred for calendar year 1978 as follows:

Equity of the House of Representatives as of December 31, 1978		\$39,244.31
Capital authorized pursuant to H. Res. 1000, 90th Congress	\$15,000.00	
Provision for replacement of equipment:		
Accumulated depreciation	16,662.26	
Restricted equity	<u>6,000.00</u>	<u>37,662.26</u>
Net income to be transferred		<u>\$ 1,582.05</u>

Prior years' net income transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund has totaled \$46,509.

#### SCOPE OF AUDIT

We reviewed the House Beauty Shop's accounting records and financial transactions in accordance with the Comptroller General's standards for auditing financial transactions, accounts, and reports of governmental activities. These standards include generally accepted auditing standards. Our examination included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances.

#### OPINION ON FINANCIAL STATEMENTS

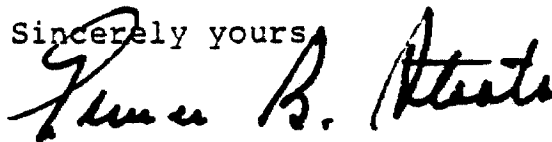
We prepared the accompanying financial statements (schs. 1, 2, and 3) for the House Beauty Shop from the accounting records furnished us. We adjusted the House Beauty Shop's records, which were maintained on a cash basis, to present its financial position and results of operations on an accrual basis. These statements do not include the costs of certain benefits and services--such as space, utilities, and ordinary building repairs and maintenance--that are furnished to the House Beauty Shop without charge.

In our opinion, the accompanying financial statements (schs. 1, 2, and 3), prepared on a basis consistent with that of the preceding year and in accordance with the financial arrangements described above, present fairly the financial position of the House Beauty Shop, at December 31, 1978 and 1977, the results of its operations, and the changes in its financial position for the years then ended.

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As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker of the House of Representatives and to the Clerk of the House of Representatives.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James B. Attest". The signature is written in a cursive, flowing style.

Comptroller General  
of the United States

HOUSE BEAUTY SHOPCOMPARATIVE BALANCE SHEETDECEMBER 31, 1978 AND 1977

ASSETS	<u>1978</u>	<u>1977</u>
<b>CURRENT ASSETS:</b>		
Cash in U.S. Treasury	\$42,298	\$29,547
Deposits in transit	2,124	-
Petty cash and change funds	700	700
Accounts receivable	1,691	484
Prepaid expenses	-	54
Inventory of merchandise and supplies (note a)	<u>11,296</u>	<u>11,789</u>
Total current assets	<u>58,109</u>	<u>42,574</u>
<b>FIXED ASSETS:</b>		
Equipment (note b)	18,480	18,480
Less: Accumulated depreciation	<u>16,662</u>	<u>15,840</u>
Total fixed assets	<u>1,818</u>	<u>2,640</u>
<b>TOTAL ASSETS</b>	<u>\$59,927</u>	<u>\$45,214</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 4,732	\$ 4,054
Salaries, commissions, and benefits payable	12,812	-
Employees' Federal and State taxes withheld	-	2,009
Employees' accrued leave	<u>3,139</u>	<u>-</u>
Total current liabilities	<u>20,683</u>	<u>6,063</u>
<b>EQUITY OF THE HOUSE OF REPRESENTATIVES:</b>		
Balance at beginning of year	39,151	30,999
Less: Amount transferred to U.S. Treasury	<u>8,311</u>	<u>1,875</u>
Balance	30,840	29,124
Add: Net income for the year	<u>8,404</u>	<u>10,027</u>
Balance at end of year (note c)	<u>39,244</u>	<u>39,151</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$59,927</u>	<u>\$45,214</u>

GAO note: The accompanying notes on p. 4 are an integral part of this statement.

Our opinion on this statement appears on p. 2 of the letter.

HOUSE BEAUTY SHOP  
COMPARATIVE STATEMENT OF OPERATIONS  
FOR CALENDAR YEARS 1978 AND 1977

	<u>1978</u>	<u>1977</u>
INCOME:		
Beauty services	\$284,148	\$279,389
Retail sales	\$41,161	\$44,958
Less: Cost of retail sales	<u>28,188</u>	<u>27,960</u>
Miscellaneous income	<u>424</u>	<u>345</u>
Total operating income	<u>297,545</u>	<u>296,732</u>
OPERATING EXPENSES:		
Salaries:		
Manager	22,585	-
Asst. Manager	10,605	-
Beauticians	117,388	154,337
Manicurists	21,099	20,726
Receptionist(s)	9,560	19,106
Maids	11,574	9,245
Electrolysis	<u>1,334</u>	<u>-</u>
Total salaries	194,145	203,414
Commissions (beauticians and retail sales)	45,896	-
Supplies	21,308	23,361
Managerial fee	-	24,000
Payroll taxes	799	15,210
Laundry	448	519
Office	2,436	2,483
Insurance	-	2,838
Depreciation	822	1,764
Accounting	-	2,090
Medical examinations	-	575
Bad debts	-	28
Repairs	742	567
Telephone	367	343
Training	67	59
Miscellaneous	31	62
Employees' benefits-Government contributions	22,080	-
Loss on disposal of assets	<u>-</u>	<u>192</u>
Total operating expenses	<u>289,141</u>	<u>277,505</u>
NET INCOME FROM OPERATIONS	8,404	19,227
BONUS PAYMENTS:		
Manager	-	1,000
Employees	<u>-</u>	<u>8,200</u>
NET INCOME FOR THE YEAR	<u>\$ 8,404</u>	<u>\$10,027</u>

GAO note: The accompanying notes on p. 4 are an integral part of this statement.

Our opinion on this statement appears on p. 2 of the letter.

HOUSE BEAUTY SHOP  
COMPARATIVE STATEMENT OF CHANGES  
IN FINANCIAL POSITION  
CALENDAR YEARS 1978 AND 1977

	<u>1978</u>	<u>1977</u>
<b>FUNDS PROVIDED:</b>		
Sales	\$325,309	\$324,347
Miscellaneous income	<u>424</u>	<u>345</u>
Total funds provided	<u>\$325,733</u>	<u>\$324,692</u>
<b>FUNDS APPLIED:</b>		
Operating expenses (excluding depreciation and other items not requiring an outlay of funds)	\$288,319	\$275,619
Cost of retail sales	28,188	27,960
Bonus payments	-	9,200
Equipment additions	-	279
Amount transferred to U.S. Treasury	8,311	1,875
Increase in working capital	<u>915</u>	<u>9,759</u>
Total funds applied	<u>\$325,733</u>	<u>\$324,692</u>

Analysis of Changes in Working Capital

	<u>Increase or (decrease)</u>	
	<u>1978</u>	<u>1977</u>
<b>WORKING CAPITAL CHANGES:</b>		
Cash and deposits in transit	\$14,875	\$12,093
Accounts receivable	1,207	296
Prepaid expenses	(54)	(452)
Inventories	(493)	264
Salaries, commissions, and benefits payable	(678)	-
Accounts payable	(12,812)	(917)
Employees' Federal and State taxes withheld	2,009	(1,525)
Employees' accrued leave	<u>(3,139)</u>	<u>-</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 915</u>	<u>\$ 9,759</u>

GAO note: The accompanying notes on p. 4 are an integral part of this statement.  
Our opinion on this statement appears on p. 2 of the letter.

HOUSE BEAUTY SHOP

NOTES TO FINANCIAL STATEMENTS

CALENDAR YEAR 1978

a/Inventories are stated at cost, using the first-in, first-out method of valuation.

b/Equipment is depreciated over a 10-year life using the straight-line method.

c/As explained on page 2 of the letter, \$1,582.05 is to be transferred to the U.S. Treasury, and \$6,000 is to be segregated as restricted equity for future replacement of equipment. The amount transferred for 1977 was \$8,311.04.

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